

**TOWN OF ALTA
ALTA, UTAH**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
AND
FINANCIAL STATEMENTS
WITH
STATE OF UTAH LEGAL COMPLIANCE
FOR LOCAL GOVERNMENTS
AND
GOVERNMENT AUDITING STANDARDS REPORTS**

June 30, 2006

HANSEN, BARNETT & MAXWELL
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF ALTA
Alta, Utah

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Registered with the Public Company
Accounting Oversight Board



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor
and Town Council
Town of Alta
Alta, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Alta, Utah (the "Town") as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Alta's management. Our responsibility is to express an opinion on these financial statements based on our audit.

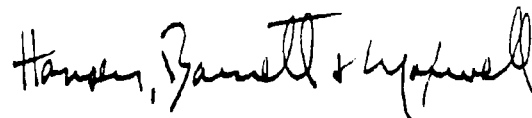
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Alta, Utah as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2006 on our consideration of the Town of Alta's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and page 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Alta's basic financial statements. The Supplemental Schedule of Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplemental Schedule to Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Hansen, Barnett & Maxwell".

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
December 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Town of Alta's
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2006**

As management of the Town of Alta, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006.

History and Background of Government

The Town of Alta was incorporated in August of 1970 as a political subdivision of the State of Utah. It is a small mountain community where summer and winter recreation offer alpine beauty and some of the best powder skiing in the United States. The Town operates under a Mayor/Council form of government. Town's legislative body consists of the Mayor and four Council members holding staggered terms of four years each.

The Town of Alta operated during this fiscal year with a general fund budget of \$1,397,799. A majority of its operating revenue is generated from sales tax and property tax. Other types of revenue include Class C Road funds, State Liquor Funds, State Grants, business, liquor and animal licenses and building permit fees to name a few. The Town provides the following services within the community: administrative, planning and zoning, police services and fire protection under contract, recycling, parks and summer booth, building inspection, judicial court, contract Post Office, library and community center, street improvements and community and economic development. The Town also operates a fully approved sewer department and culinary water system.

Financial Highlights

During the course of the fiscal year ending June 30, 2006, the Town of Alta saw some changes in its operating income mainly due to its continued ability to secure Homeland Security Grant Funds through the State Government. With those funds, the Town of Alta was able to secure much needed equipment to be used in emergency response, emergency management, and critical infrastructure hardening. These funds provided operating revenue of \$87,706.

Another contributing factor to the operating income of the Town was a 15% increase in sales tax revenue due to a favorable winter season.

The Town continues to be involved in numerous and voluminous records requests. The resulting lawsuits have not been resolved and continue to require Town staff time and the expense of outside legal counsel.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements.

In addition to the Management's Discussion and Analysis, the report consists of government-wide financial statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances.

Government-wide financial statements. The government-wide financial statements were a new component of the Town's report beginning at the 2004 fiscal year end. These statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to private-sector business reporting.

The *statement of net assets*, a component of the government-wide financial statements, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. The Town's capital assets (buildings and other improvements, machinery and equipment, and automobiles) are included in this statement and reported net of their accumulated depreciation. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the Town's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The *statement of activities* presents revenue and expense information showing how the Town's net assets changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, tax revenues are reported when the taxes are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until some time later.

The government-wide financial statements distinguish functions of the Town that are principally supported by intergovernmental revenues and taxes (governmental activities) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include the following: legislative, municipal building, economic development, judicial court, administration, non-departmental, planning and zoning, police department, post office, fire department, building inspection, streets, recycling, geographic information systems, parks, library and community center, community development, and homeland security. Business-type activities include the water department and the sewer department.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts (revenues, expenses, assets and liabilities) that is used to control resources that have been segregated for specific activities. The Town of Alta, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, for accounting and reporting purposes, governmental fund numbers are determined with a different approach. At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation between the two types is necessary to understand how the numbers differ. Such reconciliations are provided on pages 15 and 17 of this report.

The General Fund is the primary operating governmental fund of the Town. To demonstrate legal compliance, a statement comparing budgeted numbers to actual numbers for the General Fund is included in the financial statements.

Proprietary Funds. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report

the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for the operation of the water and sewer operations.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

Other information. Supplemental information can be found starting on page 31 of this report.

Government-wide Financial Analysis

The tables provided hereafter show net assets, changes in net assets, and capital assets for the year ended June 30, 2006 (the 2006 fiscal year). Data for the year ended June 30, 2005 (the 2005 fiscal year) is also provided for comparative purposes. The Town's net assets, may serve over time, as a useful indicator of a local government's financial position. In the case of the Town, assets exceeded liabilities by \$2,898,965 at June 30, 2006. Assets exceeded liabilities by \$2,737,857 at June 30, 2005.

By far the largest portion of the Town's net assets (54% in the 2006 fiscal year and 59% in the 2005 fiscal year) reflects its investment in capital assets (e.g. buildings, machinery, equipment, and related improvements), less any related debt and accumulated depreciation. The Town uses these capital assets to house the operations of the Town such as administration, public safety, community center/library and culinary water system departments. Other assets include water and sewer transmission lines and vehicles necessary for the daily operation of various departments; consequently, these assets are not available for future spending.

The following table describes the Town's net assets as of June 30, 2006:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,369,039	\$ 324,483	\$ 1,693,522
Capital assets	<u>718,111</u>	<u>979,714</u>	<u>1,697,825</u>
Total assets	2,087,150	1,304,197	3,391,347
Long-term liabilities outstanding	28,293	131,000	159,293
Other liabilities	<u>311,132</u>	<u>21,957</u>	<u>333,089</u>
Total liabilities	339,425	152,957	492,382
Net Assets:			
Invested in property and equipment, net of related debt and accumulated depreciation	718,111	835,714	1,553,825
Restricted for:			
Roads	50,301	-	50,301
Parks	18,587	-	18,587
Unrestricted	<u>960,726</u>	<u>315,526</u>	<u>1,276,252</u>
Total net assets	<u>\$ 1,747,725</u>	<u>\$ 1,151,240</u>	<u>\$ 2,898,965</u>

The following table describes the Town's net assets as of June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,123,032	\$ 296,937	\$ 1,419,969
Capital assets	<u>728,022</u>	<u>1,041,273</u>	<u>1,769,295</u>
Total assets	1,851,054	1,338,210	3,189,264
Long-term liabilities outstanding	26,387	144,000	170,387
Other liabilities	<u>268,153</u>	<u>12,867</u>	<u>281,020</u>
Total liabilities	294,540	156,867	451,407
Net Assets:			
Invested in property and equipment, net of related debt and accumulated depreciation	728,022	885,273	1,613,295
Restricted for:			
Roads	49,367	-	49,367
Parks	18,243	-	18,243
Unrestricted	<u>760,882</u>	<u>296,070</u>	<u>1,056,952</u>
Total net assets	<u>\$ 1,556,514</u>	<u>\$ 1,181,343</u>	<u>\$ 2,737,857</u>

At the end of the current year, the Town is able to report positive balances in all categories of net assets.

The Town's net assets increased by \$161,108 during the 2006 fiscal year and by \$257,922 in the 2005 fiscal year. This current increase from the prior year is reflected by a 15% increase in sales tax revenues due to the unusually favorable winter ski season, which resulted in every business showing an increase in sales over the previous year.

Key elements of the increase in net assets for the 2006 fiscal year are as follows:

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 94,462	\$ 159,223	\$ 253,685
Operating grants and contributions	114,048	-	114,048
Capital Grants and contributions	79,706	8,000	87,706
General Revenues:			
Property Taxes	230,950	-	230,950
General sales and use tax	981,236	-	981,236
Energy sales and use tax	41,422	-	41,422
Telephone use tax	9,622	-	9,622
Investment earnings	17,469	17,162	34,631
Gain (loss) on sale of capital assets	24,519	(23,169)	1,350
Total revenues	1,593,434	161,216	1,754,650
Expenses:			
Legislative	12,894	-	12,894
Municipal building	22,654	-	22,654
Economic development	130,669	-	130,669
Judicial court	14,533	-	14,533
Administration	327,784	-	327,784
Non-departmental	19,800	-	19,800
Planning and zoning	37,081	-	37,081
Police department	519,626	-	519,626
Post Office	24,937	-	24,937
Fire department	99,487	-	99,487
Building inspection	33,131	-	33,131
Streets	25,917	-	25,917
Recycling	17,748	-	17,748
Engineering	24,166	-	24,166
Parks	15,793	-	15,793
Library and community center	8,858	-	8,858
Community development	4,997	-	4,997
Homeland security	62,148	-	62,148
Water	-	119,335	119,335
Sewer	-	71,984	71,984
Total expenses	1,402,223	191,319	1,593,542
Change in net assets	191,211	(30,103)	161,108
Net assets - beginning	1,556,514	1,181,343	2,737,857
Fund equity - ending	\$ 1,747,725	\$ 1,151,240	\$ 2,898,965

Key elements of the increase in net assets for the 2005 fiscal year are as follows:

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for services	\$ 106,902	\$ 176,054	\$ 282,956
Operating grants and contributions	113,988	5,556	119,544
Capital grants and contributions	121,408	22	121,430
General Revenues:			
Property taxes	242,848	-	242,848
General sales and use tax	849,498	-	849,498
Energy sales and use tax	35,645	-	35,645
Telephone use tax	9,846	-	9,846
Investment earnings	7,169	9,195	16,364
Total revenues	<u>1,487,304</u>	<u>190,827</u>	<u>1,678,131</u>
Expenses:			
Legislative	3,675	-	3,675
Municipal building	24,585	-	24,585
Economic development	94,142	-	94,142
Judicial court	9,115	-	9,115
Administration	305,981	-	305,981
Non-departmental	17,938	-	17,938
Planning and zoning	43,216	-	43,216
Police department	492,563	-	492,563
Post Office	22,739	-	22,739
Fire department	106,249	-	106,249
Building inspection	29,324	-	29,324
Streets	4,957	-	4,957
Recycling	15,535	-	15,535
Parks	16,758	-	16,758
Library and community center	7,470	-	7,470
Community development	15,449	-	15,449
Homeland security	65,085	-	65,085
Water	-	85,689	85,689
Sewer	-	59,739	59,739
Total expenses	<u>1,274,781</u>	<u>145,428</u>	<u>1,420,209</u>
Change in net assets	212,523	45,399	257,922
Net assets – beginning	<u>1,343,991</u>	<u>1,135,944</u>	<u>2,479,935</u>
Fund equity – ending	<u>\$ 1,556,514</u>	<u>\$ 1,181,343</u>	<u>\$ 2,737,857</u>

Budgetary Highlights

In June of 2006 as part of its regular budgetary hearing, the Town Council amended the revenue and expenditure side of the budget. The following departments were amended: legislative, administrative, court, municipal building, non-departmental, police department, planning and zoning, building inspection, recycling, fire department, geographic information systems and homeland security. The majority of the increased expenditures were due to a homeland security grant secured from the State Department of Emergency Services and Homeland Security and the purchase of a new police vehicle. The homeland security grant funds were spent to purchase equipment primarily used by the police, administrative and water departments. Other

changes in expenditures can be attributed to the hiring of outside legal counsel and the hiring of an additional full time person to staff the geographic information systems department.

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, amounted to \$1,697,825 as of June 30, 2006 and \$1,769,295 as of June 30, 2005. This investment includes buildings and related improvements, machinery and equipment, autos and trucks, and municipal utility distribution systems. Major property and equipment events during the 2006 fiscal year included purchases of homeland security equipment and a new police vehicle.

Town's Capital Assets (net of depreciation)

For the 2006 fiscal year:

	Balance June 30, 2005	Additions	Transfers or Deletions	Balance June 30, 2006
Governmental activities				
Capital assets being depreciated				
Buildings and other improvements	\$ 910,383	\$ -	\$ -	\$ 910,383
Machinery and equipment	268,003	57,653	(8,758)	316,898
Autos and trucks	238,440	24,206	(117,255)	145,391
Total capital assets being depreciated	1,416,826	81,859	(126,013)	1,372,672
Less accumulated depreciation for:				
Buildings and other improvements	(384,346)	(27,385)	-	\$ (411,731)
Machinery and equipment	(108,903)	(37,456)	4,003	(142,356)
Autos and trucks	(195,555)	(19,536)	114,617	(100,474)
Total accumulated depreciation	(688,804)	(84,377)	118,620	(654,561)
Governmental activities capital assets, net	\$ 728,022	\$ (2,518)	\$ (7,393)	\$ 718,111
	Balance June 30, 2005	Additions	Transfers or Deletions	Balance June 30, 2006
Business-type activities				
Capital assets being depreciated				
Autos and trucks	\$ 20,824	\$ -	\$ -	\$ 20,824
Other machinery and equipment	21,370	10,247	-	31,617
Water system	1,102,259	-	(50,159)	1,052,100
Sewer system	703,772	-	-	703,772
Total capital assets being depreciated	1,848,225	10,247	(50,159)	1,808,313
Less accumulated depreciation for:				
Autos and trucks	(20,825)	-	-	\$ (20,825)
Other machinery and equipment	(2,849)	(812)	-	(3,661)
Water system	(426,454)	(31,605)	26,990	(431,069)
Sewer system	(356,824)	(16,220)	-	(373,044)
Total accumulated depreciation	(806,952)	(48,637)	26,990	(828,599)
Business-type activities capital assets, net	\$ 1,041,273	\$ (38,390)	\$ (23,169)	\$ 979,714

For the 2005 fiscal year:

	Balance June 30, 2004	Additions	Transfers or Deletions	Balance June 30, 2005
Governmental activities				
Capital assets being depreciated				
Buildings and other improvements	\$ 925,135	\$ 5,529	\$ (20,281)	\$ 910,383
Machinery and equipment	214,621	72,489	(19,107)	268,003
Autos and trucks	228,513	9,927	-	238,440
Total capital assets being depreciated	1,368,269	87,945	(39,388)	1,416,826
Less accumulated depreciation for:				
Buildings and other improvements	(377,610)	(27,017)	20,281	\$ (384,346)
Machinery and equipment	(97,054)	(30,956)	19,107	(108,903)
Autos and trucks	(172,016)	(23,539)	-	(195,555)
Total accumulated depreciation	(646,680)	(81,512)	39,388	(688,804)
Governmental activities capital assets, net	<u>\$ 721,589</u>	<u>\$ 6,433</u>	<u>\$ -</u>	<u>\$ 728,022</u>
	Balance June 30, 2004	Additions	Transfers or Deletions	Balance June 30, 2005
Business-type activities				
Capital assets being depreciated				
Autos and trucks	\$ 20,824	\$ -	\$ -	\$ 20,824
Other machinery and equipment	-	21,370	-	21,370
Water system	1,095,860	6,399	-	1,102,259
Sewer system	703,772	-	-	703,772
Total capital assets being depreciated	1,820,456	27,769	-	1,848,225
Less accumulated depreciation for:				
Autos and trucks	(20,825)	-	-	(20,825)
Other machinery and equipment	-	(2,849)	-	(2,849)
Water system	(398,238)	(28,216)	-	(426,454)
Sewer system	(340,613)	(16,211)	-	(356,824)
Total accumulated depreciation	(759,676)	(47,276)	-	(806,952)
Business-type activities capital assets, net	<u>\$ 1,060,780</u>	<u>\$ (19,507)</u>	<u>\$ -</u>	<u>\$ 1,041,273</u>

Long-term debt

At June 30, 2006, the Town had \$28,293 in long-term debt for governmental activities and \$144,000 for business-type activities. At June 30, 2005, the Town had \$26,387 in long-term debt for governmental activities and \$156,000 for business-typed activities. Debt consists of post employment benefits and water revenue bonds. The following tables illustrate debt activity over the past two years.

	Balance June 30, 2005	New Debt	Retirements	Balance June 30, 2006	Due Within One Year
Governmental activities					
Post employment benefits	\$ 26,387	\$ 1,906	\$ -	\$ 28,293	\$ -
Total governmental activities	<u>26,387</u>	<u>1,906</u>	<u>-</u>	<u>28,293</u>	<u>-</u>
Business-type activities					
Water Revenue Bonds, Series 1995	156,000	-	(12,000)	144,000	13,000
Total obligations	<u>\$ 182,387</u>	<u>\$ 1,906</u>	<u>\$ (12,000)</u>	<u>\$ 172,293</u>	<u>\$ 13,000</u>
	Balance June 30, 2004	New Debt	Retirements	Balance June 30, 2005	Due Within One Year
Governmental activities					
Post employment benefits	\$ 25,180	\$ 1,207	\$ -	\$ 26,387	\$ -
Capital leases payable	8,010	-	(8,010)	-	-
Total governmental activities	<u>33,190</u>	<u>1,207</u>	<u>(8,010)</u>	<u>26,387</u>	<u>-</u>
Business-type activities					
Water Revenue Bonds, Series 1995	168,000	-	(12,000)	156,000	12,000
Total obligations	<u>\$ 201,190</u>	<u>\$ 1,207</u>	<u>\$ (20,010)</u>	<u>\$ 182,387</u>	<u>\$ 12,000</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Alta's finances for all those with an interest. Questions regarding any of the information provided in this report or requests for additional information should be addressed to Kate Black, Town Clerk, P.O. Box 8016, Alta, Utah 84092-8016.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ALTA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and investments	\$ 959,944	\$ 429,794	\$ 1,389,738
Accounts receivable			
Service fees	-	43,606	43,606
Property tax	257,578	-	257,578
Other	2,600	-	2,600
Internal balances	148,917	(148,917)	-
Total Current Assets	<u>1,369,039</u>	<u>324,483</u>	<u>1,693,522</u>
Capital assets, net of accumulated depreciation	<u>718,111</u>	<u>979,714</u>	<u>1,697,825</u>
Total Assets	<u>2,087,150</u>	<u>1,304,197</u>	<u>3,391,347</u>
LIABILITIES			
Current Liabilities			
Accounts payable	14,669	8,957	23,626
Wages and payroll taxes payable	26,885	-	26,885
Deposits	12,000	-	12,000
Deferred revenue - property tax	257,578	-	257,578
Revenue bonds	-	13,000	13,000
Total Current Liabilities	<u>311,132</u>	<u>21,957</u>	<u>333,089</u>
Long-Term Liabilities			
Post employment benefits	28,293	-	28,293
Revenue bonds, net of current portion	-	131,000	131,000
Total Long-Term Liabilities	<u>28,293</u>	<u>131,000</u>	<u>159,293</u>
Total Liabilities	<u>339,425</u>	<u>152,957</u>	<u>492,382</u>
NET ASSETS			
Invested in capital assets, net of related debt	718,111	835,714	1,553,825
Restricted for:			
Roads	50,301	-	50,301
Parks	18,587	-	18,587
Unrestricted	960,726	315,526	1,276,252
Total Net Assets	<u>\$ 1,747,725</u>	<u>\$ 1,151,240</u>	<u>\$ 2,898,965</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Function/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary governmental activities:						
Governmental activities:						
Legislative	\$ 12,894	\$ -	\$ -	\$ (12,894)	\$ -	\$ (12,894)
Municipal building	22,654	11,119	-	(11,535)	-	(11,535)
Economic development	130,669	-	2,500	(128,169)	-	(128,169)
Judicial court	14,533	19,275	-	4,742	-	4,742
Administration	327,784	18,348	13,783	(295,653)	-	(295,653)
Non-departmental	19,800	-	-	(19,800)	-	(19,800)
Planning and zoning	37,081	-	5,348	(31,733)	-	(31,733)
Police department	519,626	28,462	29,378	(461,786)	-	(461,786)
Post Office	24,937	-	14,000	(10,937)	-	(10,937)
Fire department	99,487	-	-	(99,487)	-	(99,487)
Building inspection	33,131	17,020	-	(16,111)	-	(16,111)
Streets	25,917	-	15,283	(10,634)	-	(10,634)
Recycling	17,748	-	2,429	(15,319)	-	(15,319)
Geographic information systems	24,166	-	15,000	(9,166)	-	(9,166)
Parks	15,793	-	8,000	(7,793)	-	(7,793)
Library and community center	8,858	238	-	(8,620)	-	(8,620)
Community development	4,997	-	8,327	3,330	-	3,330
Homeland security	62,148	-	-	17,558	-	17,558
Total governmental activities	1,402,223	94,462	114,048	(1,114,007)	-	(1,114,007)
Business-type activities:						
Water	119,335	93,399	8,000	-	(17,936)	(17,936)
Sewer	71,984	65,824	-	-	(6,160)	(6,160)
Total business-type activities	191,319	159,223	8,000	-	(24,096)	(24,096)
Total primary government	\$ 1,593,542	\$ 253,685	\$ 114,048	(1,114,007)	(24,096)	(1,138,103)
General revenues:						
Property taxes				230,950	-	230,950
General sales and use tax				981,236	-	981,236
Energy sales and use				41,422	-	41,422
Telephone use tax				9,622	-	9,622
Gain (loss) on sale of capital assets				24,519	(23,169)	1,350
Investment earnings				17,469	17,162	34,631
Total general revenues and transfers				1,305,218	(6,007)	1,299,211
Change in net assets				191,211	(30,103)	161,108
Net assets - beginning				1,556,514	1,181,343	2,737,857
Net assets - ending				\$ 1,747,725	\$ 1,151,240	\$ 2,898,965

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**TOWN OF ALTA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2006**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 959,944
Accounts receivable	
Due from other funds	148,917
Accounts receivable - property tax	257,578
Account receivable - other	<u>2,600</u>
Total Assets	<u><u>\$ 1,369,039</u></u>
LIABILITIES	
Accounts payable	\$ 14,669
Wages and payroll taxes payable	26,885
Deposits	12,000
Deferred revenue - property tax	<u>257,578</u>
Total Liabilities	<u>311,132</u>
FUND BALANCES	
Reserved funds	377,738
Unreserved, undesignated funds	<u>680,169</u>
Total Fund Balances	<u>1,057,907</u>
Total Liabilities and Funds Balances	<u><u>\$ 1,369,039</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ALTA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

Total Fund Balances - Governmental Fund	\$ 1,057,907
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental fund.	718,111
Long-term liabilities, including notes payable, capital leases capital leases payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the governmental fund.	<u>(28,293)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 1,747,725</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund
Revenues	
Taxes	\$ 1,263,230
Licenses and permits	36,005
Intergovernmental	143,714
Charges for services	13,357
Fines and forfeitures	19,275
Miscellaneous	93,334
Total Revenues	1,568,915
Expenditures	
Legislative	12,894
Municipal building	8,717
Economic development	129,971
Judicial court	14,533
Administration	330,327
Non-departmental	19,800
Planning and zoning	36,503
Police department	523,786
Post office	23,611
Fire department	89,973
Building inspection	33,131
Streets	25,917
Recycling	17,748
Geographic information systems	24,166
Parks	15,793
Library and community center	6,157
Community development	4,997
Homeland security	79,775
Total Expenditures	1,397,799
Revenues Over Expenditures	171,116
Other Financing Sources (Uses)	
Proceeds from sale of capital assets	31,912
Net Other Financing Sources	31,912
Net Change in Fund Balance	203,028
Fund Balance - Beginning of Year	854,879
Fund Balance - End of Year	\$ 1,057,907

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Governmental Fund	\$ 203,028
Amounts reported for governmental activities in the statement of activities are different because:	
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital purchases during the current period.	(2,518)
The governmental fund reports proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, only the gain on the sale of capital assets is recorded as income.	(7,393)
The long-term portion of the liability for post employment benefits is not recorded at the fund level but is reported in the statement of net assets. This is the current year change in the liability, reported as an expense in the statement of activities.	(1,906)
Change in Net Assets of Governmental Activities	<u>\$ 191,211</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

**TOWN OF ALTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	<u>Sewer Enterprise Fund</u>	<u>Water Enterprise Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 284,356	\$ 145,438	\$ 429,794
Accounts receivable	16,297	27,309	43,606
Total Current Assets	<u>300,653</u>	<u>172,747</u>	<u>473,400</u>
Capital Assets			
Sewer system	703,772	-	703,772
Water system	-	1,052,100	1,052,100
Other machinery and equipment	-	31,617	31,617
Automobiles and trucks	15,133	5,691	20,824
Accumulated depreciation	(388,178)	(440,421)	(828,599)
Net Capital Assets	<u>330,727</u>	<u>648,987</u>	<u>979,714</u>
Total Assets	<u>631,380</u>	<u>821,734</u>	<u>1,453,114</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 2,322	\$ 6,635	\$ 8,957
Due to other funds	13,437	135,480	148,917
Current portion of revenue bonds payable	-	13,000	13,000
Total Current Liabilities	<u>15,759</u>	<u>155,115</u>	<u>170,874</u>
Long-Term Liabilities			
Revenue bonds (net of current portion)	-	131,000	131,000
Total Liabilities	<u>15,759</u>	<u>286,115</u>	<u>301,874</u>
NET ASSETS			
Invested in capital assets - net of related debt	330,727	504,987	835,714
Unrestricted	284,894	30,632	315,526
Total Net Assets	<u>\$ 615,621</u>	<u>\$ 535,619</u>	<u>\$ 1,151,240</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Sewer Enterprise Fund	Water Enterprise Fund	Total
Operating Revenues			
Service fees	\$ 65,824	\$ 93,399	\$ 159,223
Operating Expenses			
Sewage disposal	40,898	-	40,898
Water costs	-	6,937	6,937
Depreciation	16,220	32,417	48,637
Personnel services	-	7,500	7,500
Materials, supplies and services	14,866	67,801	82,667
Total Operating Expenses	71,984	114,655	186,639
Operating Loss	(6,160)	(21,256)	(27,416)
Non-Operating Revenue (Expense)			
Grant	-	8,000	8,000
Interest revenue	10,081	7,081	17,162
Interest expense	-	(4,680)	(4,680)
Loss on disposal of capital assets	-	(23,169)	(23,169)
Net Non-Operating Revenue (Expense)	10,081	(12,768)	(2,687)
Change in Net Assets	3,921	(34,024)	(30,103)
Total Net Assets - Beginning of Year	611,700	569,643	1,181,343
Total Net Assets - End of Year	\$ 615,621	\$ 535,619	\$ 1,151,240

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Sewer Enterprise Fund	Water Enterprise Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 65,824	\$ 94,863	\$ 160,687
Payments to suppliers	(46,855)	(68,920)	(115,775)
Payments to employees	-	(7,500)	(7,500)
	<u>18,969</u>	<u>18,443</u>	<u>37,412</u>
Cash Flows From Capital and Related Financing Activities			
Grants	-	8,000	8,000
Acquisition of capital assets	-	(10,247)	(10,247)
Principal paid on revenue bond maturities	-	(12,000)	(12,000)
Interest paid	-	(4,680)	(4,680)
	<u>-</u>	<u>(18,927)</u>	<u>(18,927)</u>
Cash Flow From Investing Activities			
Interest on investments	<u>10,081</u>	<u>7,081</u>	<u>17,162</u>
Net Increase in Cash	29,050	6,597	35,647
Cash and Cash Equivalents at Beginning of Year	<u>255,306</u>	<u>138,841</u>	<u>394,147</u>
Cash and Cash Equivalents at End of Year	<u>\$ 284,356</u>	<u>\$ 145,438</u>	<u>\$ 429,794</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Sewer Enterprise Fund	Water Enterprise Fund	Total
Reconciliation of Operating Income to Net			
Cash from Operating Activities:			
Operating loss	\$ (6,160)	\$ (21,256)	\$ (27,416)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	16,220	32,417	48,637
Change in assets and liabilities:			
Service fees receivable	-	1,464	1,464
Accounts payable	8,909	5,818	14,727
Net cash from operating activities	<u><u>\$ 18,969</u></u>	<u><u>\$ 18,443</u></u>	<u><u>\$ 37,412</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Alta, Utah (the "Town") was incorporated in August 1970 under the provisions of the State of Utah. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, water, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth the Governmental Accounting Standards Board's (GASB) Statement No. 14 which include the following:

- the organization is legally separate (can sue or be sued in its own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency on the Town by the organization

Based on these criteria, there are no entities that are considered to be component units of the Town that should be included in these financial statements.

B. Financial Statement Presentation

Basis of Presentation

Government-wide Financial Statements

The government-wide statements, i.e. the statement of net assets and the statement of activities, report information on all of the activities of the Town. The Town does not have any fiduciary activities. For the most part, the effect of the interfund activity has been eliminated from these statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets except for those amounts due between governmental and business-type activities. Such amounts are reported at the net amount as "internal balances" and offset each other to result in a zero balance in the total column. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The government-wide statement of net assets presents information on all of the Town's assets and liabilities, and the difference between the two is reported as net assets. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that can be clearly identifiable with a specific function or segment. Program revenues

include: (1) charges to customers or others who purchase, use, or directly benefit from the services or goods provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Indirect costs in the governmental activities that are not associated directly with a function or program in the Town are included in the general governmental activities in the entity-wide statements.

Fund Financial Statements

A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are organized into two major categories: governmental and proprietary. Separate financial statements are provided for each of these categories. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. A fund is considered major if it is the primary operating (general) fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As per the above criteria, the Town's General, Water, and Sewer funds are major funds. The Town has no non-major funds.

The Town's financial operations are accounted for in the following funds:

Governmental Fund Types

General Fund – The general fund is the primary fund of the Town. This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Proprietary Fund Types

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town's enterprise funds consist of the Water and Sewer Funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to the types of assets that appear on the statement of net assets and changes to those assets that appear on the statement of activities. The current financial resources measurement focus reports

only current assets and current liabilities on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in these assets. The economic resources measurement focus shows total assets and liabilities on the statement of net assets and changes in net assets on the statement of activities. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements and the fund financial statements for proprietary and fiduciary funds are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with the fund's normal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

These funds account for Town activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position, and changes in financial position (Economic resources measurement focus). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which GASB prevails. The funds included in this category are Enterprise Funds.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expenses/expenditures reported on the fund financial statements and government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements (see pages 15 and 17).

E. Cash and Investments

The Town investments in the State Treasurer's Investment Pool (an external investment pool) are valued at fair value (based on the corresponding liability to pool participants). See Note 2 for further discussion regarding the Town's policies regarding cash deposits and investments.

F. Property Taxes - Revenue

Property taxes are collected by the county treasurer and remitted to the Town shortly after collection. The county is required to levy the proposed tax by June 15. The county treasurer mails the property tax notice at least 10 days before August 1, and the taxes are due by November 30. If after five years (May of the fifth year) delinquent taxes have not been paid, the county advertises and sells the property at a tax sale.

G. Sales and Related Taxes - Revenue

Sales and related taxes constitute the majority of revenues received by the Town. In turn, sales and related taxes generated by the local businesses are dependent on the winter snow levels.

H. Interfund Receivables and Payable

Interfund receivables and payables represent transactions incurred within the fund for other funds. These transactions are in the form of receipts of revenue, payments of expenses, and operating transfers to and from other funds. These accounts are expected to be eliminated in the normal course of operations. As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements.

I. Budgetary Basis

Budgets are prepared by the Town on the modified accrual basis of accounting, the same basis which is used for financial reporting. The budget presented was first adopted by the Town on June 16, 2005. The Council held a public meeting to officially amend the budget on June 15, 2006. Appropriations may not legally be made in excess of budgeted amounts by department. For the fiscal year ended June 30, 2006, expenses exceeded the budget in five departments.

J. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is insured against these occurrences through commercial insurance. The Town pays an annual premium for its insurance coverage which is accounted for in the General Fund.

NOTE 2—CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less. Cash, depending on source of receipts, is pooled, except when legal requirement dictate the use of separate accounts.

Cash Deposits – At year end, the carrying amount of the Town's book cash balance was \$172,445 and the bank balance was \$198,824. The bank balance as of June 30, 2006 exceeded the federal depository insurance limit by \$32,310. No deposits are collateralized.

Deposit Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State of Utah does not require collateral on deposits.

Investments – The Town's deposits and investment policy follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Chapter 7) in handling its depository and temporary investing transactions. This law requires the depositing of Town funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the

requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. Allowable investments under the Act include:

1. Negotiable or nonnegotiable deposits of qualified depositories,
2. Repurchase agreements with qualified depositories or primary reporting dealers,
3. Commercial paper which is rated P-1 by Moody's Investor Services or A-1 by Standard and Poors if the remaining term to maturity is 180 days or less,
4. Bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less,
5. Obligations of the United States Treasury, including bills, notes and bonds,
6. Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporations, or Student Loan Marketing Association.
7. Shares or certificates in any open-end management investment company registered with the Securities and Exchange under the Investment Company Act of 1940, the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

A State Money Management Council was created under the State Money Management Act consisting of five individuals appointed by the Governor and qualified by training and experience in the fields of investing and finance. In performing its functions and responsibilities, the council provides a measure of depository protection. The council issues a list of qualified depositories to public treasurer's quarterly, and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the council. State law and council rules govern the finance reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately.

The Town has invested the majority of its temporarily idle funds (totaling \$1,217,293 as of June 30, 2006) with the Utah Public Treasurer's Investment Fund (PTIF). The Utah State Treasurer's Office operates the PTIF which is invested in accordance with the State Money Management Act. The State Money Management Council provides regulatory oversight for the PTIF. The PTIF has not been rated.

The investments with the State bore interest at 5.0% at June 30, 2006. The carrying amount is materially equal to fair value. All securities comprising the PTIF comply with strict investment criteria required by the Utah Money Management Act. All practices of the Fund are under the monthly scrutiny of the Utah Money Management Act. The Utah State Auditor audits the Fund each year. The degree of risk of the fund depends upon the underlying portfolio. Parties interested in learning what specific investments comprise the State Treasurer's Fund may contact the Utah State Treasurer's Office.

Investment Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Summary – The above described cash deposits and investments are summarized and presented in the financial statements at fair value in accordance with the following analysis:

Cash and Cash Equivalents	
Cash	\$ 172,445
Utah Public Treasurer's Investment Fund	1,217,293
Total (fair value)	\$ 1,389,738

NOTE 3—CAPITAL ASSETS

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, capital assets are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g. roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. The GASB Statement No. 34 requires capitalization of infrastructure, but permits an optional four-year delay for implementation of the infrastructure capitalization. The implementation of this portion of GASB No. 34 was delayed for infrastructure constructed prior to June 30, 2003. There were no current year additions to infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is computed using the straight-line method based on useful lives as follows:

<u>Item</u>	<u>Years</u>
Building and other improvements	7 – 30 years
Machinery and equipment	5 – 25 years
Autos and trucks	5 – 20 years
Sewer system	10 – 50 years
Water system	10 – 50 years

The following two tables summarize the changes in capital assets for governmental and business-type activities during the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Transfers or Deletions	Balance June 30, 2006
Governmental activities				
Capital assets being depreciated				
Buildings and other improvements	\$ 910,383	\$ -	\$ -	\$ 910,383
Machinery and equipment	268,003	57,653	(8,758)	316,898
Autos and trucks	238,440	24,206	(117,255)	145,391
Total capital assets being depreciated	1,416,826	81,859	(126,013)	1,372,672
Less accumulated depreciation for:				
Buildings and other improvements	(384,346)	(27,385)	-	\$ (411,731)
Machinery and equipment	(108,903)	(37,456)	4,003	(142,356)
Autos and trucks	(195,555)	(19,536)	114,617	(100,474)
Total accumulated depreciation	(688,804)	(84,377)	118,620	(654,561)
Governmental activities capital assets, net	\$ 728,022	\$ (2,518)	\$ (7,393)	\$ 718,111

	Balance June 30, 2005	Additions	Transfers or Deletions	Balance June 30, 2006
Business-type activities				
Capital assets being depreciated				
Autos and trucks	\$ 20,824	\$ -	\$ -	\$ 20,824
Other machinery and equipment	21,370	10,247	-	31,617
Water system	1,102,259	-	(50,159)	1,052,100
Sewer system	703,772	-	-	703,772
Total capital assets being depreciated	1,848,225	10,247	(50,159)	1,808,313
Less accumulated depreciation for:				
Autos and trucks	(20,825)	-	-	\$ (20,825)
Other machinery and equipment	(2,849)	(812)	-	(3,661)
Water system	(426,454)	(31,605)	26,990	(431,069)
Sewer system	(356,824)	(16,220)	-	(373,044)
Total accumulated depreciation	(806,952)	(48,637)	26,990	(828,599)
Business-type activities capital assets, net	\$ 1,041,273	\$ (38,390)	\$ (23,169)	\$ 979,714

Depreciation expense was charged to functions/programs of the Town as follows:

	Depreciation Expense
Governmental activities:	
Municipal building	\$ 13,937
Administration	3,662
Economic development	698
Planning and zoning	578
Police department	27,107
Post office	1,326
Fire department	9,514
Library and community center	2,701
Homeland security	24,854
Total depreciation expense - governmental activities	\$ 84,377
Business-type activities:	
Sewer	\$ 16,220
Water	32,417
Total depreciation expense - business-type activities	\$ 48,637

NOTE 4—OBLIGATIONS PAYABLE

A summary of obligations payable and the current year's activity follows:

	Balance June 30, 2005	New Debt	Retirements	Balance June 30, 2006	Due Within One Year
Governmental activities					
Post employment benefits	\$ 26,387	\$ 1,906	\$ -	\$ 28,293	\$ -
Total governmental activities	26,387	1,906	-	28,293	-
Business-type activities					
Water Revenue Bonds, Series 1995	156,000	-	(12,000)	144,000	13,000
Total obligations	\$ 182,387	\$ 1,906	\$ (12,000)	\$ 172,293	\$ 13,000

Post Employment Benefits — Post employment benefits are available for certain appointed officials who leave employment voluntarily and are in good standing at the time of departure. He or she shall receive a sum equivalent to wages and the cash value of benefits as follows: for each year of employment, one week of current salary and cash value of benefits, up to a maximum of ten weeks for ten years of employment. For involuntary termination the benefits may accumulate up to a maximum of twenty-six weeks. These involuntary termination amounts have not been accrued in these financial statements.

Revenue Bonds — During August 1995, the Town sold water revenue bonds for the construction of drinking water improvements. Water revenue bonds are recorded in the Water Enterprise Fund and require principal payments of \$11,000 to \$16,000 to be made annually each March until March 1, 2016, from revenues generated from the Water operations. Interest is charged at a rate of 3%.

The combined aggregate amount of maturities for long-term borrowings for each of the next five years is as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 13,000	\$ 4,320	\$ 17,320
2008	13,000	3,930	16,930
2009	13,000	3,540	16,540
2010	14,000	3,150	17,150
2011	14,000	2,730	16,730
2012-2017	77,000	7,020	84,020
	<u>\$ 144,000</u>	<u>\$ 24,690</u>	<u>\$ 168,690</u>

NOTE 5—RESERVED FUNDS

Town revenues fluctuate based on sales tax collection. The Town received special funds for park improvements and has established a reserve for these funds. Because the Town is located in a ski resort area, weather conditions can significantly affect the number of tourists visiting the area and thus have a significant effect on sales tax collections. The Town Council has decided to reserve a portion of its general fund balance in this and future years until a maximum of \$200,000 has been placed in a reserve for weather and other emergencies. Other items in the General Fund that are reserved by the Town are for sewer and water improvements which are estimated to be needed in future years and also amounts received and not yet expended for C-Road work.

The changes in reserved funds of the General Fund balance are as follows:

	Balance June 30, 2005	Additions	Expenditures	Balance June 30, 2006
C-Road funds	\$ 49,367	\$ 22,644	\$ (21,710)	\$ 50,301
Sewer improvements	114,212	25,928	-	140,140
Water improvements	8,244	1,306	-	9,550
Weather and emergency	64,669	64,491	-	129,160
Park fund	18,243	344	-	18,587
Post employment benefits	30,000	-	-	30,000
	<u>\$ 284,735</u>	<u>\$ 114,713</u>	<u>\$ (21,710)</u>	<u>\$ 377,738</u>

NOTE 6—CONTINGENCIES

The Town is involved in a lawsuit and other legal matters arising in the ordinary course of business. The matters are being handled by insurance, legal counsel and others, and liability, if any, on the part of the Town is not expected to have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY DATA

**TOWN OF ALTA
BUDGETARY COMPARISON
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,007,958	\$ 1,208,620	\$ 1,263,230	\$ 54,610
Licenses and permits	31,300	24,700	36,005	11,305
Intergovernmental	59,007	147,798	143,714	(4,084)
Charges for services	14,030	10,230	13,357	3,127
Fines and forfeitures	8,700	17,500	19,275	1,775
Miscellaneous	118,719	106,907	93,334	(13,573)
Total Revenues	1,239,714	1,515,755	1,568,915	53,160
Expenditures				
Legislative	12,500	12,500	12,894	(394)
Municipal building	8,896	9,396	8,717	679
Economic development	154,860	154,860	129,971	24,889
Judicial court	9,762	14,662	14,533	129
Administration	294,930	310,230	330,327	(20,097)
Non-departmental	17,300	20,300	19,800	500
Planning and zoning	38,500	40,500	36,503	3,997
Police department	463,904	512,904	523,786	(10,882)
Post Office	24,594	24,594	23,611	983
Fire department	93,900	98,900	89,973	8,927
Building Inspection	24,780	33,280	33,131	149
Streets	15,000	15,000	25,917	(10,917)
Recycling	14,742	18,742	17,748	994
Geographic information systems	32,799	20,699	24,166	(3,467)
Parks	15,824	15,824	15,793	31
Library and community center	6,375	6,375	6,157	218
Community development	14,900	14,900	4,997	9,903
Homeland security	-	85,622	79,775	5,847
Total Expenditures	1,243,566	1,409,288	1,397,799	11,489
Revenues Over Expenditures	(3,852)	106,467	171,116	64,649
Other Financing Sources				
Proceeds from sale of capital assets	-	-	31,912	31,912
Net Change in Fund Balances	(3,852)	106,467	203,028	96,561
Fund Balance - Beginning of Year	854,879	854,879	854,879	-
Fund Balance - End of Year	\$ 851,027	\$ 961,346	\$ 1,057,907	\$ 96,561

SUPPLEMENTARY INFORMATION

**TOWN OF ALTA
SUPPLEMENTAL SCHEDULE TO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Revenues

Taxes

Property	\$	230,950
General and sales		981,236
Energy sales and use tax		41,422
Telephone use tax		9,622
	\$	<u>1,263,230</u>

Business Licenses and Permits

Business licenses and permits	\$	8,099
Liquor licenses		2,800
Building permits		18,911
Animal licenses		6,195
	\$	<u>36,005</u>

Intergovernmental

Community Development	\$	8,327
Alta Central - SL County		13,407
Class "C" road funds		15,283
State Liquor funds		7,191
Wasatch National Forest		3,300
Post Office contract		14,000
State grants		82,206
	\$	<u>143,714</u>

Charges for Services

Plan check fees	\$	11,119
Planning commission review fees		0
Impact fees		2,000
Community center use fees		238
	\$	<u>13,357</u>

Fines and Forfeitures

Court fines		19,275
	\$	<u>19,275</u>

Miscellaneous

Interest earnings	\$	17,469
Sundry revenues		12,418
Alta Central - Snowbird		13,407
Donations		50,040
	\$	<u>93,334</u>

**TOWN OF ALTA
SUPPLEMENTAL SCHEDULE TO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Expenditures

Legislative

Materials, supplies, services	\$ 12,894
	<u>\$ 12,894</u>

Municipal Building

Personnel services	\$ 2,299
Materials, supplies, services	6,418
	<u>\$ 8,717</u>

Economic Development

Personnel services	\$ 40,395
Materials, supplies, services	89,576
	<u>\$ 129,971</u>

Judicial Court

Personnel services	\$ 5,444
Materials, supplies, services	9,089
	<u>\$ 14,533</u>

Administration

Personnel services	\$ 251,461
Materials, supplies, services	71,308
Capital outlay	7,558
	<u>\$ 330,327</u>

Non-Departmental

Materials, supplies, services	\$ 19,800
	<u>\$ 19,800</u>

Planning and Zoning

Materials, supplies, services	\$ 36,503
	<u>\$ 36,503</u>

Police Department

Personnel services	\$ 406,935
Materials, supplies, services	83,365
Lease payments	175
Capital outlay	33,311
	<u>\$ 523,786</u>

**TOWN OF ALTA
SUPPLEMENTAL SCHEDULE TO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Post Office

Personnel services	\$	17,465
Materials, supplies, services		6,146
	\$	23,611

Fire Department

Materials, supplies, services	\$	89,973
	\$	89,973

Building Inspection

Personnel services	\$	14,121
Materials, supplies, services		19,010
	\$	33,131

Streets

Materials, supplies, services	\$	25,917
	\$	25,917

Recycling

Personnel services	\$	11,090
Materials, supplies, services		6,658
	\$	17,748

Geographic information systems

Personnel services	\$	21,150
Materials, supplies, services		3,016
	\$	24,166

Parks

Personnel services	\$	10,399
Materials, supplies, services		5,394
	\$	15,793

Library and Community Center

Materials, supplies, services	\$	6,157
	\$	6,157

Community Development

Materials, supplies, services	\$	4,997
	\$	4,997

Homeland Security

Materials, supplies, services	\$	37,294
Capital outlay		42,481
	\$	79,775

HANSEN, BARNETT & MAXWELL

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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH STATE OF UTAH LEGAL REQUIREMENTS APPLICABLE TO AUDITS OF LOCAL GOVERNMENTS IN UTAH

The Honorable Mayor
and Town Council
Town of Alta, Utah

We have audited the basic financial statements of the Town of Alta, Utah, for the year ended June 30, 2006, and have issued our report thereon dated December 1, 2006. As part of our audit, we have audited the Town of Alta's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Utah Department of Transportation)
State Liquor Fund Allotment (State Tax Commission)

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

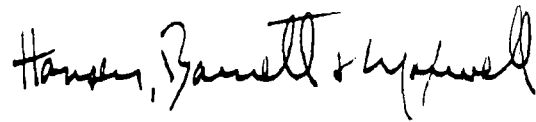
Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Justice Courts
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees and Other Development Fees

The management of the Town of Alta is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Alta, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

A handwritten signature in cursive script, appearing to read "Hansen, Barnett & Maxwell".

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
December 1, 2006

**TOWN OF ALTA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Impact Fees

Compliance Requirement—Each local political subdivision collecting impact fees shall:

- a. establish separate interest bearing ledger accounts for each type of public facility for which an impact fee is collected;
- b. deposit impact fee receipts in the appropriate ledger account;
- c. retain the interest earned on each fund or account in the fund or account; and
- d. at the end of each fiscal year, prepare a report on each fund or account showing:
 - 1) the source and amount of all monies collected, earned, and received by the fund or account; and
 - 2) each expenditure from the fund or account.

This report is a public document and should be available for public inspection during regular office hours.

Finding—The Town does not maintain an interest bearing ledger account for the collection of impact fees. The Town does not account for each expenditure of impact fees in separate accounts.

Management Response—Little has been received in recent years in the way of impact fees. The Town of Alta will create a separate interest bearing ledger account with the Utah State Treasurer Public Treasurer's Investment Fund, for Impact Fees collected in the course of every fiscal year. A report will be generated to account for all expenditures of Impact Fees on an annual basis and said report will be available to the public for inspection.

Budgetary Compliance

Compliance Requirement—Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. For counties and municipalities State Law requires budget integrity at the department level for the General Fund.

Finding—The expenditures incurred exceed the total appropriations in the Legislative, Administration, Police, Streets, and Geographic Information Systems departments.

Management Response—The Town of Alta does not receive the bulk of its operating revenue, sales tax, until the months of March, April and May of each fiscal year. We therefore wait to amend our annual budget until June of each year after a public hearing. We will attempt, in the future, to amend our fiscal budget, if necessary, on a periodic basis to make sure departmental expenditures do not exceed appropriations. All amendments are approved by the Alta Town Council after public hearings.

Justice Court Compliance

Compliance Requirement—All justice courts, having funds due to the State or any political subdivision, shall on or before the 10th day of the month, pay all funds receipted within the preceding month to the appropriate public treasurer.

Finding—There was one month that the funds to the State were not remitted within 10 days of the following month.

Management Response—As soon as we were made aware that funds were owed to the State Treasurer, a check was remitted immediately. A supervisor will review Justice Court remittances to assure the timely payment of the same.

HANSEN, BARNETT & MAXWELL

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INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor
and Town Council
Town of Alta, Utah

We have audited the financial statements of the Town of Alta, Utah as of and for the year ended June 30, 2006, and have issued our report thereon dated December 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

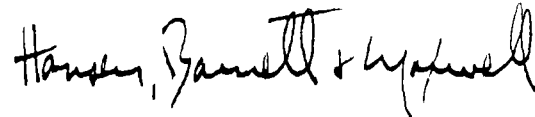
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Alta's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated December 1, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Alta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving the compliance and other matters that we have reported to management in a separate letter dated December 1, 2006.

This report is intended solely for the information and use of the Mayor, the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Hansen, Barnett & Maxwell".

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
December 1, 2006